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Municipal Taxation

AN ADDRESS before the League of American Municipalities, Montreal, 1909, by A. C. PLEYDELL

Secretary New York Tax Reform Association

And Extracts from Addresses on

Canadian Systems of Local Taxation

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MUNICIPAL TAXATION

AN ADDRESS BEFORE THE LEAGUE OF AMERICAN MUNICIPALITIES, MONTREAL, 1909

BY

A. C. PLEYDELL

CANADIAN SYSTEMS OF LOCAL TAXATION

EXTRACTS FROM ADDRESSES BY

W. ROBB, City Treasurer, Montreal

F. S. SPENCE, Controller, Toronto

THEO. A. HUNT, City Solicitor, Winnipeg

JOHN PERRIE, Provincial Tax Commissioner, Alberta

J. B. McKILLIGAN, Surveyor of Taxes, British Columbia

NEW YORK TAX REFORM ASSOCIATION
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Municipal Taxation[1]

By A. C. Pleydell

Secretary New York Tax Reform Association

ALL taxation—municipal, state, or national—should conform to correct principles. Our political divisions for the collection and spending of public money do not alter economic laws. They do, however, raise practical administrative questions. Municipalities have to consider not merely what ought to be taxed, but what can be taxed. Certain taxes can be collected successfully by state or nation, though the tax otherwise may be undesirable. Other taxes cannot be collected fairly by small districts, whatever may be argued in their favor.

In discussing local taxation no sharp line need be drawn between municipalities, in the restricted sense of cities, and other local tax districts, as their problems are much the same. It is in the cities, however, that the general property tax has broken down most completely, and this is the first problem to consider.

Failure of Personal Property Tax

Under modern conditions, personal property cannot be fairly and completely reached by the usual methods of local assessment. That fact has been recognized by the states which have adopted special taxes on certain personal property, which is thereby given local exemption. In the states where the old system prevails, and in theory of law, almost all personal property is liable to local assessment, it is notorious that the greater part of such property escapes, and that the tax falls chiefly on visible property, such as household furniture, machinery, and merchandise.

[1]An Address before the Thirteenth Annual Convention of the League of American Municipalities, Montreal, Canada, August 26, 1909.

Many cities have stopped trying to assess personal property accurately, and are content to let the assessors make arbitrary guesses so long as some amount goes on the rolls. Bargains are made with merchants, and especially with manufacturers, to under-assess their property. While these methods of assessment may be less of a handicap to business than strict enforcement, still they open the way for inequality and favoritism.

Whether the states should tax all personal property by special methods need not be discussed now; the question is, whether such property should be exempt from local taxation or stricter assessment should be tried.

Experience and theory agree that personal property cannot and should not be taxed by local assessment at full valuation and at the general tax rate. Time and again attempts have been made to reach it by stringent methods, with the result that intangibles went into hiding, and taxes on that class of personalty were paid only by the ignorant, the helpless, or the extra-conscientious. Taxes on visible property were collected with more success, but in the long run the effect was always the same. Assessments cannot be made accurately, merchants and manufacturers suffer, production and enterprise are discouraged, people move away, and the prosperity of the city is checked.

In the eleven states east of Ohio and north of the Potomac, the old local personal property tax has been modified by law or custom. Local revenue from that source is declining and this seems likely to continue. Pennsylvania, like the Canadian provinces, has faced the situation squarely, and exempts all personal property (except live stock) from local taxation. This policy has benefited its cities. Years ago a committee of councils in Philadelphia reported that, in their judgment, to restore the local taxes on machinery and merchandise would so depress realty values that the city would lose more than it gained.

Page after page could be quoted from every state investigating commission report for the past twenty-five years, showing the failure of the general property tax. Any city that still tries to reach personalty by the antiquated and discredited local assessment plan, would gain in civic righteousness as well as revenue by abandoning the attempt.

Special State Taxes

It is doubtful whether any plan of special local taxation of personal property will come into general use. Special taxes are likely to be taken by the state. The tendency to obtain state revenue by taxing classes of property or privileges that no local government can properly assess is increasing. This policy has resulted usually in the reduction or abolition of state taxes on property assessed locally. Although sometimes this deprives the localities of a source of revenue, the relief from state taxes on real estate is probably more than full compensation.

It seems also that, in such states, a good deal of the state revenue is spent for projects that increase the values of taxable real estate, such as highways improved by state aid. Cities do not always profit directly by such expenditures. Still, if thereby the general prosperity is increased, there will be an indirect benefit to the cities through the stimulus to the industries and commerce from which city land chiefly derives its value.

Waiving discussion of the desirability of these special taxes, it is clear that their general adoption and the breakdown of the general property tax, will leave to the cities practically three forms of revenue now in use: Real estate taxes, licenses, and public services, either corporate or municipal.

Licenses

Liquor licenses are so largely a police measure that they can hardly be discussed as part of a municipal revenue system, especially since that source of income is being threatened and extinguished. Nevertheless, it can be remarked that the predicted saving, in local expenditures at least, is not likely to follow the suppression of licensed saloons, and the curtailment of income from that source will probably mean higher tax rates.

Ordinary business licenses cannot be made to produce much revenue without seriously affecting industry. Manufacturers and wholesalers cannot pay high business taxes and meet the terms of competitors in more favorable localities. Retail merchants can more readily add the tax to prices, but this increases

the cost of living, makes the city less desirable for residence, and accordingly depreciates real estate.

Small license fees will not produce enough revenue to justify the annoyance and expense of collection. All such taxes are unequal in their incidence and harmful in their economic effects.

The fairest form of business licensing is the tax based on rental or assessed value of real estate occupied, according to the method of Canadian cities. But though this business assessment is regarded as a great advance over the personal property assessment which it supplanted, some of the officials at the Toronto Tax Conference stated that it was not entirely satisfactory.

Public Service Corporations

So far as taxes on public service corporations are a payment for the privilege of using the highways, they are a form of real estate tax. Where by reason of large profits this privilege is valuable, and the cost of service cannot be reduced, a reasonable tax on the use of the streets can be levied without injury to the public or to real estate values. One method is to assess the "special franchise" or easement value like ordinary real estate. This plan is used in New York, and while it has yielded considerable revenue, there are many practical difficulties in the way of correct assessment. A lower court decision, now in the Court of Appeals, in effect bases such assessment on net earnings.[1] It would be simpler, whenever possible, to tax gross or net earnings rather than to assess the franchise, which derives its value from possible net earnings.

Where reduction in rates can be secured, it is a mistake to continue the excessive charge in order to have a large franchise value to tax. In such a case, the tax is added to price, and the consumer or user is paying toward the support of government regardless either of his ability or benefits received. If from every five-cent car fare, one cent goes to the city, exactly the

[1] The N. Y. Court of Appeals has decided that generally the net earnings rule will give the proper result, though no rule can be laid down by the courts for all cases. (People *ex rel* Jamaica Water Supply Co. *vs.* State Board of Tax Commissioners, October, 1909.)

same tax of six dollars a year for their daily rides will be paid by people whose earnings and wealth differ widely, while that six dollars may help relieve from taxation some property owner who does not use the car lines at all, and whose land is increased in value by the transportation service. The same argument applies as well to the high charges for municipal services, such as city water departments yielding a large profit by overcharging the consumers.

To sell a franchise outright means that the corporation must be allowed to charge, in its rates, interest on the price paid, and is more objectionable than annual taxes which can be reduced if rates are lowered.

It should be noted that local revenues from public service corporations are threatened in two ways.

The development of inter-urban service is increasing the difficulties of local assessment, or apportionment of receipts. It is likely therefore that, as in Pennsylvania and Connecticut, and as proposed in California, state taxation of public service corporations will displace local taxation. This will not be an entire loss, if thereby a state direct tax is diminished, but the proportion between revenue taken away and the relief secured may vary considerably in different localities.

Wherever regulation, state or local, is cutting down the charges of public service corporations or increasing their expenses for service, the franchise value decreases and revenue from this source is bound to be seriously affected, if not entirely destroyed.[1] This has its compensations, as what is lost in one way is gained in another. The cheaper fares and rates, or the better transportation or other service, will be reflected in higher real estate values.

Better Assessment of Real Estate

The larger part of municipal revenue is now derived from real estate taxes, and it is probable that an increasing part will

[1] The special franchise assessment of the Consolidated Gas Company of New York was reduced more than $19,000,000 for 1909, following the opinion of the U. S. Supreme Court sustaining the law which reduced the price of gas from $1 to 80 cents a 1,000 cubic feet.

have to be so derived. It is important, therefore, to see that the burden of such taxation falls equitably as between different owners, and that the city receives its proper revenue. Improved assessment methods may yield far more revenue than new kinds of taxes. Accurate assessment may benefit an individual far more than a decrease in the tax rate.

If one property is assessed at 50 per cent of its value and the average assessment is 70 per cent, with a $2 rate, the favored individual really is paying only $1.40 in comparison with others. If one-tenth of the real estate is under-assessed in this proportion, to raise it to its proper proportion would decrease the burden on the other nine-tenths of the property, as much as a reduction of 6 cents in a $2 tax rate.

The only satisfactory method of assessing real estate is to assess at full value, as in most cases the law directs. Any other plan opens a wide door to inequality and favoritism.

But sometimes the difficulty of securing a proper equalization for county or state taxes makes it impracticable for a city to go upon a full-value basis without paying so much more than its proper share of those taxes in comparison with other districts, as to burden its citizens even more than local inequalities.

Under such circumstances, the citizens and governing officials should use all possible efforts to bring about a general increase in valuations, and until that is accomplished, should see that whatever percentage of value is adopted as a local standard is adhered to rigidly by the assessing department. If the city is on a 60 per-cent basis, see to it that everyone is treated alike, and do not allow one man to escape with a 40 per-cent assessment and then tell another man who is assessed at 80 per-cent that you will not give him any relief because his property is not assessed for as much as he asks for it.

One serious loss of revenue is due to the under-assessment of vacant lots and badly improved properties. The plea is made that unimproved property should not be assessed on the same basis as improved property because it is not ready for use. If this is a fact, it will be shown by the market price. A prospective purchaser will calculate how long he will have to hold such land until it is ready for improvement, and the market

price will be lower, by the probable taxes and interest for such a period, than if the property was fully ripe for development. As the taxes are allowed for in the market value, there is no reason why this should not be taken as the standard of assessment. In many cases, however, the plea that the property is not ready for development is not made in good faith; the lots would not remain vacant if the owners would sell for a price that builders could afford to pay.

To allow such vacant property to escape with low valuation until the owners obtain a large price, and meanwhile to maintain, at the expense of improved property, the streets and lights and other services that add to the value of the lots, puts an unfair burden upon those who build up a city.

Similar to this under-assessment is the practice in some cities of charging the original cost of street opening or paving, in whole or in part, to the general tax fund. Such improvements add little or nothing to general values, but specially benefit the adjoining property which should pay the bills. Many cities levy special assessments for original improvements against abutting property, and those that do not should avail themselves of that method of reducing general taxes.

Probably every city or town has a district of which it is said that the town would be better off if such old buildings were burned down. Yet the owners of these eye-sores are usually favored by under-assessment, and, as they obtain some income from the buildings, they can stand out for a high price even better than the owner of vacant property, while the old buildings actually hurt the development of the city. In such cases every effort should be made to value both the land and the buildings at their true worth, so that the owners will be induced to put the land to its best use.

This does not apply, however, to the ordinary case of old buildings, which are still fairly well suited to the site. A proper discrimination in assessment between the value of land and the additional value given to the plot by the presence of the buildings, will prevent injustice in both cases.

Separate assessment of land is essential to accuracy, and the system in the City of New York has certain advantages over the

usual separate valuation of land and buildings. In New York there is no statement of building value on the assessment lists. One column shows land value, another the total real estate value.

Burden of the Real Estate Tax

Real estate is a peculiarly fit subject for local taxation, inasmuch as its value is to a large extent due to local expenditures, and the effect of a good government and needed improvements upon real estate value is direct and almost immediate. It is true that some of the value comes from the general activities of the state, but these effects are more indirect and difficult to trace.

It is not strictly scientific, perhaps, to speak of increases in real estate values from public improvements, when the increase is wholly in the value of the land. Buildings are worth only what it would cost to reproduce them, and often a good deal less because unsuited to the location. To pave a street increases the value of the lot, not that of the building.

But the real estate tax on land and buildings at the same rate exists throughout the United States. It is a well-understood part of our fiscal system. Discussion of the incidence of the part that falls on buildings, or of the effect of the partial or total exemption of improvements in some of the Canadian provinces, would not affect the general arguments herein advanced.

When objection is made to placing the weight of taxation on real estate, it must be remembered that so far as the land is concerned, its value is always calculated on a tax-free basis. Unless there is an increase in the tax rate, the land owner really pays no tax, except when he advances a tax on vacant land on a basis of discounting future profits. Stated in economic terms, the selling value of land is an untaxed value. In ordinary business calculation the price of land is determined by its possible net income, after the tax has been paid out of the gross rent. While the tax does not add to the rent paid by the tenant, it comes out of the rent.

If the premises are occupied by the owner, the case is similar;

had there been no tax he would have paid so much more for the land that the extra interest would equal the tax.

Although this economic law does not apply to buildings, our ordinary real estate tax probably will not do any substantial injustice to the owners of improved property, if unimproved property is assessed on an equal basis.

Conclusion

The real estate tax distributes the burdens of local government with fair accuracy. It falls in proportion to the benefits received from government, and thus meets the fairest test of just taxation. It does not check production of wealth, except, perhaps, as it falls on buildings, and this effect may be offset by the check it places on land speculation, which always retards production.

With these advantages it would seem advisable for municipalities to consider whether they can secure more revenue by improved assessment methods rather than to search for new schemes of taxation that, if effective, will diminish real estate values, so that the net result will be merely an unfair readjustment of the tax burden, with possibly an actual reduction of revenue.

If with accurate assessment and full valuation real estate will not produce sufficient revenue without a constant increase in the tax rate, it is time to look into the expense account.

The expenses of government, local, state, and federal, in Europe as well as America, have been increasing the past few years more rapidly than population, and perhaps, in some cases, even faster than the production of wealth. Hardly a governing body is satisfied with its income. Whatever the reasons for these increased expenses, they have resulted in proposals for new taxes and increases in old ones.

No country, or city either, can continue to be prosperous if the taxes collected from the people exceed the value to them of government expenditures. Public business and private business alike, demand a consideration of both sides of the ledger. The prudent merchant who finds his expenses approaching nearly

to, or exceeding, his receipts, will seek ways of curtailing expenses before he will add so much to the price of his goods as to destroy his trade.

Similarly governments should give attention to the economic laws which underlie the collection and expenditure of public revenue. It is national suicide to keep on raising more money merely because government can extract it from the people, without considering whether the money is spent to better advantage by the public than it would be if left in private hands.

Perhaps it is just as well that municipalities cannot administer the indirect taxes that disguise the effect of unwise national or state expenditures, and postpone their economic results until it is too late to apply a remedy.

Real estate values are almost an automatic guide to the wisdom or folly of municipal improvements. If streets and paving and lighting are extended with a fair measure of foresight and common sense, the increased values will appear at once and the taxes will come in with which to finance the projects. If, on the other hand, foolish schemes are carried through, values will not rise. It is the height of folly to seek to derive revenue from commerce or industry to pay expenses that do not justify themselves by the increase in taxable real estate. To do this is simply to further depress real estate values, and in the end to force a more rigid economy than would have been required had the warning signal of stationary land values been heeded.

CANADIAN SYSTEMS OF LOCAL TAXATION

REFERENCE is made in the foregoing address to the modification of the general property tax system by the Canadian provinces, which have gone even further in this direction than Pennsylvania. While each Province has its own tax system, practically all personal property is exempt from municipal taxation throughout the Dominion. In the northwest Provinces, buildings are assessed at a lower rate, or exempted entirely, as may be determined by the local governing body.

How far these exemptions of farm buildings, implements and produce have helped attract the thousands of farmers who have left and are leaving their farms in the States to settle in the Canadian Provinces of Manitoba, Alberta, and Saskatchewan, is a matter that deserves serious consideration.

Brief descriptions follow of local tax systems in various parts of Canada, with comments by officials. Further details will be found in the volume from which many of these extracts were made: "State and Local Taxation, Addresses and Proceedings, Toronto Conference, 1908." Published by International Tax Association, Columbus, Ohio, $2.

Professor Seligman said at that conference: "These addresses teach us that a great deal we have always thought was impossible of application in the states is actually being carried on over the border. They are rudely shaking some of our cherished convictions."

PROVINCE OF QUEBEC

There is no tax on personal property in Montreal, except specific taxes on vehicles. There are licenses and a local business tax based on rentals. Practically the same system of local taxation has been in force in the Province for at least forty years.

Making allowances for delinquent taxes and collections of

arrears, the revenues of Montreal (population, 400,000) for 1908 were, in round figures:

REVENUE FROM TAXATION

Real estate tax, at $1.40 (City rate $1.00 per $100; school tax, 40 cents per $100)	$3,096,000
Business tax, 7½% of rentals	475,000
Licenses (not including liquor, which go to Province)	243,000
Public service corporations, graded tax on earnings	274,000
Total tax receipts	$4,088,000

REVENUE FROM SOURCES OTHER THAN TAXATION

City markets, rents	$111,000
Water rates	941,000
Special assessments, sewers, etc	280,000
Miscellaneous	180,000
Grand total	$5,600,000

Occasionally the local taxation of personal property, especially of money and bank stock, has been urged, but the suggestion has never been accepted. One of the strongest opponents of the general property tax idea is the city treasurer of Montreal, Mr. W. Robb, who has been in the service of the city since 1865.

Speaking at the Montreal meeting of the League of American Municipalities (1909), Mr. Robb said, in part:

"Personal taxation, in the sense of an assessment on personal property, is the most objectionable form in which taxation can be levied, because of the impossibility of reaching it by any method of extraneous assessment; by the almost universal misrepresentation which attends voluntary returns and the injustice thus done to those who make them conscientiously. The levy on real estate has not only the most tangible basis to rest upon, but falls upon all in the ratio of their ability to pay, as evidenced by the amount of it which they use for their own purposes. This, of course, does not follow absolutely, but it presents the fewest inequalities while it does away with the temptation to make false returns.

"The value of personal property cannot be ascertained except

by the voluntary return of the owner himself, and all experience has shown that to be the most objectionable and unsatisfactory of all modes of taxation. Every 'Commission' which has been created to study the subject has recommended its avoidance where contemplated or its abolition where established.

"Owners of real estate regard themselves as paying the taxes not only on what they occupy themselves, but on all that they hold as investments (forgetting that it is only when their houses are vacant that they do so), taxes, whether included in the rent, or assumed separately, being practically paid by the tenant.

"Special taxation pre-supposes special privileges or advantages, and without such it is indefensible. The exceptional franchises accorded to street railways, telegraph and gas companies in the use of the streets for their operations, point them out as legitimate objects for special taxation, and the principle of levying it in the form of a percentage on their earnings is just and equitable; but the levying of special taxes over and above the general and ordinary imposts, on any particular business to which no special privilege has been accorded or which entails no extra expenditure on the city, is not defensible.

"Taxation is the means whereby a portion of the income of an individual is arbitrarily taken from him for the benefit of the community of which he is a member, and if the benefit conferred is commensurate with the tax he has no reason to complain.

"Taxation levied to meet the cost of an expenditure, judiciously made, brings a larger return of comfort and satisfaction than would be possible from a similar expenditure by a citizen on his own account.

"In this connection the distinction between national and municipal taxation must be kept in mind. The state may levy on personal property of every nature, direct or indirect. The municipality is, for the most part, restricted to the real estate for which the expenditure has been incurred, or the occupants thereof (whether as owner or lessee), in proportion to the extent to which they use it for their own purposes. As, to a greater or lesser extent, this applies to every citizen, it makes him con-

tribute his due proportion of the required revenue, and on the maxim that taxes diffuse themselves, it reaches indirectly every member of the community.

"Whether in the shape of an assessment on value, or a rate on rental, this is, unquestionably, the most scientific method of levying municipal taxation, and when additional revenue is required it can be attained by a percentage increase reaching all in due ratio."

PROVINCE OF ONTARIO

Up to 1904 Ontario had the same system of assessing all real and personal property as exists in most of the states. In 1902 an investigating commission recommended "the abolition of the assessment and taxation of personal property," and the substitution of a business assessment. This was done in 1904, and since then personal property has not been taxed, as such, in Ontario.

The "business assessment" is based on a percentage of the real estate assessment, varying from 25 per cent for retailers to 150 per cent for distillers, and is paid by the occupant. This assessment is placed on the rolls in the same way and subject to the same tax rate, as the real estate assessment. It applies also to offices of professional men. Incomes are assessed and placed on the rolls in the same way, exemptions of $600 to $1,000 being allowed for personal earnings.

Toronto had in 1908 a population of 272,600. The tax rate was $1.85 per $100. The assessments were as follows:

Land	$78,611,850
Buildings	94,346,028
"Business"	23,807,726
"Income"	9,619,649
	$206,385,253

The Toronto business assessment of 1906 was nearly $7,000,000 larger than the personal property assessment of the year previous. The business assessment is more popular than the personal property tax, because there is no evasion. But the Toronto assessor, Mr. James C. Forman, thinks it will some day

be abandoned also, and this view is confirmed by Controller F. S. Spence, of Toronto, who said in the discussion at the Tax Conference:

"Roughly speaking, we have three classes of taxation in this Province—realty or land and buildings attached, personalty or movable, and income tax. Now we are trying to tax the three. The realty does not, of course, offer any difficulty that has not been mentioned. The personalty offered insuperable difficulty, such as you all realize and which does not need to be recapitulated, and we try in this province to deal with that part by the business tax method referred to by our friend from Manitoba.

"A realty assessment is taken as a basis, and to the realty assessment we add a varying percentage, according to the kind of business that is carried on in the premises, and we call it a business assessment.

"That is what Mr. Forman says is a far more attractive plan than the old personalty plan, and decidedly it is. It has about it a definiteness, and it has simplified our assessment machinery very largely. But it is open to serious objections. First, the assessment is too unequal and too unfair. It discriminates between one business with a 25 per-cent business tax and another with the 150 per-cent business tax. It is too indefinite, too inconsistent, and there may be questions with regard to the same business, because it is absolutely wrong to assume that the man who carries on a grocery business on premises that are assessed for $10,000 is doing half the grocery business that is done by the man who is carrying on a grocery business on premises that are assessed at $20,000.

"That inconsistency is found by the assessors, and they strive to get over it when they go around making their assessments by working out a very mischievous principle, which is to modify the realty valuation for the purpose of getting a fair assessment upon the whole combination.

"We are driven, as Professor Seligman indicated a little while ago, toward the absolute wiping out of the personalty tax. I think Mr. Forman indicated that in his paper, and I think the change from the original personalty tax to the business tax as a substitute, added to the realty, is simply a step in the progress

to the wiping out of the whole of it and confining ourselves to the realty altogether."

At the present writing (October, 1909) more than 150 cities and townships of Ontario have signed a petition to the Provincial Parliament, asking that they be allowed the same privilege of assessing improvements lower than land values, or exempting them, as is enjoyed by municipalities in the western provinces.

MANITOBA

From an address by Theodore A. Hunt, City Solicitor of Winnipeg, at Toronto Tax Conference:

"The revenues of the city of Winnipeg are principally derived from taxation on real property, business tax, licenses, and franchises to a limited extent.

"The realty assessment of the city of Winnipeg yields about 90 per cent of the taxes. [Population, 118,000; revenue from taxation, $1,742,000 in 1908.]

"According to our present system, machinery is not assessable, as real estate, nor is it assessable for business tax. Machinery is not especially exempt, but it does not come within those classes of things which the city is authorized to assess. Buildings are assessed separately from the land, and both vacant land and land improved by the erection of buildings thereon are assessed at the same ratio.

"So far as the buildings are concerned, they are assessed not quite up to their value, but there is no provision that they shall be assessed at anything less than their value, as in the case of some statutes in the western provinces, where the assessments of buildings is limited to 60 per cent of their value.

"The business tax was introduced in 1893 to take the place of what was formerly known as personal property assessment, which was entirely done away with by the substitution of the business tax. [This tax on the occupier is now (1909) 6⅔ per cent on the annual rent.]

"The revenue derived from licenses may also be considered

under the head of taxation, as it is a part of the burden that the citizen is called upon to bear on account of the particular business or calling he happens to be engaged in.

"In a way I have sincere doubts as to whether a system of licenses can be equitably administered. How are you going to determine the amount any one class of business should pay, and how are you going to provide that each person coming under this category is treated alike according to his ability to pay, or the benefits he or his business derives from the civic government?"

[Outside of incorporated cities, lands and personal property are subject to local taxation, but there are many exemptions; among these are household effects, farming implements and machinery, and live stock and produce on farms or awaiting shipment.]

PROVINCE OF SASKATCHEWAN

In Saskatchewan, the Cities Act of 1908 provides that the taxes shall be levied on lands and business, incomes and "special franchises." The latter term is defined as in the State of New York, as the privilege of maintaining tracks, wires, etc., in or under highways.

The act provides that land shall be assessed at its fair actual value, and buildings and improvements at 60 per cent of the actual value. Business assessments may be graded, but must not exceed $8 a square foot, except that financial institutions may be assessed up to $15. There is no "personal property" tax.

BRITISH COLUMBIA

From an address by J. B. McKilligan, Provincial Surveyor of Taxes, Victoria, B. C., at the Toronto Tax Conference:

"There are two distinct systems of taxation in British Columbia—namely, municipal and provincial. The larger portion of the Province is within the provincial system of taxation. Municipalities have among their powers the right to assess and tax any property and the improvements thereon, to impose and

collect licenses, to fix the rate of taxation thereon and the fees payable. The rate of improvements shall not be levied on more, and may, in the discretion of the council, be on less, than 50 per cent of the assessed value thereof, or such improvements may be exempted altogether.

"The greater portion of the Province is not organized under municipalities, and the area remaining is reserved for provincial taxation. The subjects of taxation include: land and improvements, personal property, income, mines and minerals, corporations. There are numerous liberal exemptions, and these include mortgages on land or personal property, household furniture and effects, farm produce, money in bank. Real property belonging to any corporation lying within any municipality is not taxed by the Province. Land within municipalities does not pay a Provincial tax."

ALBERTA

In the Province of Alberta there is no personal property tax, and municipalities may exempt buildings. This many of them have done. In the city of Edmonton improvements are not taxed, and the assessment for 1908 was:

Value of land, excluding buildings	$19,803,230
Business assessment on floor space	2,484,420
Income assessment	247,560
Total	$22,535,210

The tax rate was $1.45 on the $100. Population, 20,000. Public service corporations are taxable but not included in above assessment, as all franchises now in operation in Edmonton are owned by the city.

Mr. John Perrie, Provincial Tax Commissioner, says in a recent letter:

"Cities and towns are not required to make reports to us, but the figures for Edmonton may be taken as a fair example of the working out of assessment in this Province, where taxes are levied according to land value, without regard to improvements thereon.

"Many of our villages levy their assessment according to the value of land without regard to improvements, and in practically all such cases the total revenue of the village is derived from this assessment, there being no other taxes of any kind. A village council may levy a poll tax on residents who are not contributing in any other way, but this provision is seldom, if ever, made use of.

"In this new country we are continually establishing new villages, and the number of villages applying to us for permission to base their assessment on the value of the lands without regard to the improvements thereon, is continually on the increase."

Explaining the reasons for the adoption of this system Mr. Perrie said, at the Toronto Tax Conference:

"The system of assessment in vogue in most of our towns and cities is assessment according to the actual value of the land exclusive of the improvements thereon, and there is no assessment of personal property. This system of assessment commends itself to the people of the Province as a fair method of taxation, and all cities which have lately received charters of incorporation are using it in preference to the system whereby assessment is levied on both real and personal property. This taxation of land is supplemented by a business tax and to a small degree by an income tax.

"The use of this system of assessment is rapidly increasing, and when it is taken into account that the unimproved property is greatly enhanced in value not only by the improvements carried on by the municipality or government, but also by the development caused by the investments of owners of improved property, it would seem only right that the assessment should be so adjusted as to provide for the payment of a fair proportion of the taxes by the holders of such unimproved property.

"Going further, it may be pointed out that the ratepayer who invests money in improving his property is a much more valuable asset to any country than the man, usually a nonresident, who simply holds his property as a speculation. And it is only just that this should be recognized, and the assessment so levied, that as much as possible of the burden of taxation will be borne

by the man who is holding his property so that he may profit by the development of the country brought about by the investments of the owner of improved property, as well as by the work of the government or municipality."

ASSESSED VALUES COMPARED

In the following tables are shown the assessed valuations of two Canadian cities, and of two cities of about the same population in New Jersey, where the separate assessment plan being in use gives fairly comparable figures.

Newark has higher land values than normal (relative to population), because it is the trading center for a large suburban population. Plainfield is within commuting distance from New York and is chiefly a residential city. Edmonton is the capital of the Province of Alberta, among the newly settled wheat farms.

While the difference in conditions makes exact comparisons difficult, it seems that the Canadian exemption of personal property and even of buildings, has not resulted in high tax rates, nor have land values been depreciated.

	Newark, N. J., 1908 Pop. (1905) 283,289	Toronto, Ontario, 1908 Pop. (1908) 272,600
Tax Rate	$1.63 per $100	$1.85 per $100
Value of Land	$121,469,706 or 41%	$78,611,850 or 38%
Value of Buildings	130,805,194 or 44%	94,346,028 or 45%
Railroad Real Estate, excluding right of way	2,590,156	*Not separately stated*
Personal Property	40,915,737 or 14%	not taxable
Business Assessment	not taxable	23,807,726 or 11%
Income	not taxable	9,619,649 or 5%
Total Property Assessed	295,780,793	206,385,253

	Plainfield, N. J., 1908 Pop. (1905) 18,468	Edmonton, Alberta, 1909 Pop. (1909) 20,000
Tax Rate	$1.40 per $100	$1.45 per $100
Value of Land	$8,028,426 or 36%	$19,803,230 or 88%
Value of Buildings	11,295,549 or 50%	not taxable
Personal Property	3,190,525 or 14%	not taxable
Business Assessment	not taxable	2,484,420 or 11%
Income	not taxable	247,560 or 1%
Total Property Assessed	22,514,500*	22,535,210

* Includes railroad property of $192,000.